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Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 R

DRAFTED BY EB/ORF/FSE:DHART/ARA/NC/V:TWSONANDRES
APPROVED BY EB - MR. KATZ
EB/ORF/FSE:LRRAICHT (DRAFT)
ARA - MR. LUERS
ARA - MR. FISHLOW (DRAFT)
L/ARA - MR. GANTZ
ARA/NC - MR. DEVINE
---------- 085934
O 152313Z AUG 75
FM SECSTATE WASHDC
TO AMEMBASSY CARACAS IMMEDIATE

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EXDIS

E.O. 11652: N/A

TAGS: ENRG, PFOR, VE

SUBJECT: PETROLEUM REVERSION - MOBIL OIL'S VIEWS

1. MOBIL REPRESENTATIVES HEADED BY VICE PRESIDENT FOR EXPLORATION AND PRODUCTION ALEX MASSAD MADE CALLS ON DEPUTY ASSISTANT SECRETARIES KATZ AND LUERS AUGUST 13 TO APPRISE DEPARTMENT OF ITS SITUATION IN VENEZUELA. MASSAD TICKED OFF SEVERAL POINTS IN REVERSION LAW WHICH ARE UN-ACCEPTABLE TO MOBIL. HE CHARACTERIZED THE OUTLOOK FOR MOBIL AS DIM AND SAID MOBIL WILL NOT DISCUSS ARRANGEMENTS FOR FUTURE PURCHASE OF CRUDE AND TRANSFER OF TECHNOLOGY WITHOUT AN AGREEMENT ON COMPENSATION. ALTHOUGH MOBIL WILL CONTINUE NEGOTIATING FOR THE TIME BEING, MASSAD SAID HE IS PREPARED TO RECOMMEND TO HIS BOARD THAT MOBIL WALK AWAY IF THERE IS NO PROGRESS.

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2. AMONG MOBIL'S OBJECTIONS TO PROVISIONS FOR REVERSION ARE PUTTING UP A $17 MILLION GUARANTY AND 3 YEAR AUDIT PERIOD TO DETERMINE VALUE OF ASSETS. MASSAD ALSO EXPRESSED CONCERN THAT COMPENSATION WOULD BE IN NON-NEGOTIABLE BONDS

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WITH AS YET UNDISCLOSED INTEREST. HE WAS PARTICULARLY EXERCISED ABOUT CLAIM FOR ALLEGED 12.5 MILLION BARREL OVER-LIFTING FROM SHARED STRUCTURE OF C P AND BY WHAT HE TERMED

HARASSMENT OF MOBIL MANAGER BY AUTHORITIES. HE MAINTAINED THAT COMPENSATION IS SHAPING UP AS A NEGATIVE FIGURE WITH A POSSIBLE COST TO MOBIL OF $150 MILLION. MASSAD SAID THAT HE HAS BEEN TALKING MOSTLY WITH VALENTIN HERNANDEZ, MINISTER OF MINES AND HYDROCARBONS, AND MET WITH PRESIDENT PEREZ ONCE. HE BELIEVES THAT HE DID NOT SUCCEED IN GETTING ACROSS TO THEM THE ECONOMICS THAT ARE INVOLVED AND HE CONTRASTED THE VENEZUELAN APPROACH WITH THE QUOTE SENSIBLE UNQUOTE ATTITUDES OF THE UK AND LIBYA ON TAX AND COMPENSA-TION QUESTIONS.

3. DEPARTMENT OFFICIALS EXPRESSED APPRECIATION FOR MASSAD'S DETAILED PRESENTATION AND ASKED TO BE KEPT INFORMED.

MASSAD DID NOT SPECIFICALLY
REQUEST USG INTERVENTION BUT SAID THAT HE WOULD BE INTERESTED TO KNOW THE AMBASSADOR'S ASSESSMENT. HE EX-PRESSED THE OPINION TO KATZ THAT IT COULD BE USEFUL FOR THE AMBASSADOR TO CONVEY TO GOV HOPE THAT AN EQUITABLE SETTLEMENT COULD BE REACHED. KATZ COMMENTED THAT A TACTICAL PROBLEM IS POSED IN HOW AND WHEN THE DEPARTMENT SHOULD WEIGH IN. LUERS BRIEFED MASSAD ON THE BASICS OF DOING BUSINESS WITH VENEZUELAN POWER STRUCTURE AND SUG-GESTED THAT MASSAD CONSIDER MEETING INFORMALLY WITH SUCH KEY PETROLEUM INFLUENTIALS AS GENERAL ALFONSO RAVARD, MINISTER PEREZ GUERRERO AND SOSA RODRIGUEZ. MASSAD HAD INDICATED THAT SOSA RODRIGUEZ WAS A FORMER CLASSMADE BUT HE HAS NOT YET DISCUSSED HIS PROBLEMS WITH HIM.

4. COMMENT. MOBIL'S REFUSAL TO GET INTO DISCUSSION OF SPECIFIC POST REVERSION ARRANGEMENTS PUTS IT SOMEWHAT BEHIND EXXON AND GULF, AND MOBIL IS AWARE OF THIS FACT.
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MOBIL MAY FEEL LESS PRESSURE THAN THEY TO GET INTO SUCH DISCUSSIONS BECAUSE OF ITS FAR SMALLER DEPENDENCE ON VENEZUELA WITHIN ITS TOTAL CRUDE SUPPLY. WHILE MOBIL SEEMS NOT YET TO HAVE EXHAUSTED THE POSSIBILITY FOR EXPLOITING INFORMAL CHANNELS IN VENEZUELA, ITS IMPRESSION THAT IT IS GETTING NOWHERE COULD INDICATE THAT GOV IS CONCENTRATING ON THE LARGEST PRODUCING COMPANIES FIRST, WITH THE THOUGHT THAT THE OTHERS WOULD LIKELY FALL IN LINE. REQUEST EMBASSY FOLLOW UP WITH MOBIL REPS AND KEEP DEPARTMENT INFORMED. SISCO

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